



## THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: April 29, 2002 REPORT NO. 02-101

ATTENTION: Land Use and Housing Committee  
Agenda of May 1, 2002

SUBJECT: Pilot Pre-Qualification Program, changes to the Debarment Ordinance,  
Council Policy and Changes to the Capital Improvement Program

REFERENCE: City Manager's Report 01-039  
City Manager's Report 01-161

### SUMMARY

Issue(s) - Should the Land Use and Housing Committee recommend that the City Council direct the City Manager to implement a one year focused pilot Pre-Qualification Program, changes to the Debarment Ordinance, Council Policy and other changes to the Capital Improvement Program?

Manager's Recommendation - Recommend that the City Council direct the City Manager to implement a one year focused pilot Pre-Qualification Program, changes to the Debarment Ordinance, Council Policy and other changes to the Capital Improvement Program.

Other Recommendation(s) - None

Fiscal Impact - None, all the recommendations listed in this report can be accomplished without additional positions or resources.

### BACKGROUND

Several discussions have occurred at City Council Meetings and Committee meetings related to the advertisement, award and construction of Capital Improvement Program (CIP) projects. These discussions and the decisions that result, are anticipated to impact the City's aggressive plan to update San Diego's aging water, sewer and transportation infrastructure, and to construct

or renovate parks and building projects. Therefore, solutions are being sought that allow the City to meet its aggressive Capital Improvement Program schedules while minimizing the negative impact to the community and qualified contractors while not allowing poor and unqualified contractors to work on City projects.

Staff in several departments are developing solutions to address the following the concerns which have been identified at City Council and Committee meetings:

1. **Contractor selection** - ensuring only qualified and competent contractors are selected at the beginning of the project thus reducing chances of default or debarment after the project begins.
2. **Contractor performance** - ensuring contractors construct City projects in accordance with the plans and specifications with minimal negative impact to the community.
3. **Contractor debarment** - develop changes to the debarment ordinance to include clarity of the various grounds for debarment, a streamlined process for debarment of contractors and time limits for filing of documentation.
4. **Reduced number of contractors bidding City projects** - create mechanisms to solicit additional qualified contractors in order to meet the increase in projects and encourage competitive bidding.

Because of limited resources, staff focused on developing strategies in all areas which would require limited or no additional personnel or non-personnel resources.

## DISCUSSION

Staff proposed a one year pilot “Pre-qualification Program” to the Land Use & Housing Committee on February 28, 2001 and again on August 1, 2001 (City Manager Report 01-039 and City Manager Report 01-161 respectively). This program offers a two phase approach to pre-qualifying contractors based on the technical nature of the project. This program has been modeled after pre-qualification programs established by other California municipalities and agencies. Realizing that these programs are relatively new developments in government agencies, staff conducted research to determine the success of these programs. The conclusion of this review determined that these programs have yet to yield evidence that mandatory pre-qualification programs on all projects are meeting their goals. Some evidence has been collected where pre-qualification on highly specialized or technical projects have been successful in selecting successful contractors. In addition, staff have received feedback from several contractors who have performed well on City contracts, that additional programs will discourage them from bidding any more because of the rising administrative costs. It also appears that the emerging contractors, which the City is trying to develop into prime contractors, will be negatively impacted if pre-qualification was required of all contractors. Currently, the City of San Diego is experiencing a reduced number of bidders on most City projects and escalating bid amounts.

Based on the concerns that have been identified above, a modified approach to resolve those issues were discussed among staff from Engineering and Capital Projects, Water, Metropolitan Wastewater and City Attorney's departments. The approach suggested by staff utilizes existing programs and procedures rather than creating an additional program which impacts the staffing and administrative costs of the contracting industry and CIP. The recommendations were developed while trying balance the negative impact on high performing contractors and forcing change on those contractors that are not performing well. Staff believes changes in the following main areas will better address many concerns of the Mayor and City Council as well as the community:

1. A one year pilot Pre-Qualification Program is recommended on highly technical or specialized projects. Examples of highly technical or specialized projects may include but are not limited to micro-tunneling, construction of water treatment plants and sewer treatment plants, etc. A copy of the proposed Pre-Qualification Questionnaire is attached (attachment 1). Staff are currently reviewing project advertisement and award procedures to ensure the bonding and insurance requirements are appropriate. These measures have proven to be good indicators of a contractor's ability to remain solvent during the construction of a project.
2. Field Division staff which are responsible for the construction phase of the City's CIP, are revising the "Contractor Performance Evaluation Form" and "process" to ensure the construction of the highest quality projects. The Contractor Performance Evaluation Form is being revised to include much broader contractor performance measures which more accurately measure a project's success. These measures will also provide valuable objective documentation of a contractor's performance which could be used for rewards, recognition and disciplinary actions. In addition, changes are being developed which increase the frequency of which contractors are being evaluated. By increasing the frequency of contractor evaluations, problems can be addressed on a more timely basis and changes can be made to resolve those problems more effectively without negatively impacting the outcome of the projects (see attachment 2). For example, items will be addressed such as delays and/or claims based on information requests from the contractor to the City which hinge on or otherwise rely on information contained in construction documents, applicable referenced specifications, contract documents, or are within the industry standard of knowledge and expertise for the general and/or sub-contractor licensing requirements for the work involved. Claims such as these will be documented and categorically denied with no additional payment made.
3. The City Attorney's Office is analyzing and recommending changes to the City's Debarment Ordinance and Council Policy(see attachment 3a, 3b). Changes include creating a Debarment Hearing Board. This Board would administer a tiered structure for debarments including one year, three year and permanent debarments of which only the permanent debarments would be appealable to City Council. For example, under the proposed changes, the Debarment Hearing Board would have the authority to debar a contractor for one year if the contractor receives two unsatisfactory "Partial" Contractor Performance Evaluations or one "Final" Contractor Performance Evaluation.

Additionally, if a contractor is the lowest apparent bidder and fails to submit SCOPE documents on two occasions in two years, a recommendation would be made to the Debarment Hearing Board that the contractor be debarred for one year. Additional changes to the Debarment Ordinance and Council Policy will include clarity of the various grounds for debarment and time limits for filing of documentation.

4. Concurrent with the consideration of this program staff is exploring means to solicit more qualified contractors to keep pace with the aggressive project schedules. The Engineering and Capital Projects Department has been working aggressively to develop a construction outreach program to encourage more contractors to bid on City utility replacement projects to assist in helping the City reach it's goal. This effort has included partnering with existing contractor associations, direct mailings to all San Diego county contractors, project announcements listing all pertinent information on upcoming projects, and a series of contractor workshops. The department has also entered into an agreement to publicize and provide plans and specifications via the internet in an attempt to get widespread interest from contractors.

#### ALTERNATIVE(S)

1. Do not recommend that the City Council direct the City Manager to implement a one year focused pilot Pre-Qualification Program for highly technical or specialized projects and changes to the Debarment Ordinance, Council Policy and other changes to the Capital Improvement Program.

Respectfully submitted,

---

Mauro Garcia  
Assistant to the Director  
Engineering and Capital Projects Dept.

---

George I. Loveland  
Senior Deputy City Manager

---

Frank Belock, Jr.  
Director,  
Engineering and Capital Projects Dept.

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachments:

1. Proposed City of San Diego Pre-Qualification Questionnaire
2. Proposed Contractor Performance Evaluation Form
- 3A. Proposed Debarment Ordinance
- 3B. Proposed Council Policy
- 3C. Debarment Ordinance Strikeout